

VZCZCXYZ0001
RR RUEHWEB

DE RUEHEG #0213 0361321
ZNR UUUUU ZZH
R 051321Z FEB 09
FM AMEMBASSY CAIRO
TO RUEHC/SECSTATE WASHDC 1559
INFO RUEATRS/DEPT OF TREASURY WASHDC
RUCPDO/USDOC WASHDC 0441

UNCLAS CAIRO 000213

STATE FOR NEA/ELA, NEA/RA
USAID FOR ANE/MEA MCCLOUD AND RILEY
USTR FOR FRANCESKI
TREASURY FOR PARODI AND BAYLIN
COMMERCE FOR 4520/ITA/ANESA

SIPDIS
SENSITIVE

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [EINV](#) [EG](#)
SUBJECT: INVESTMENT SCANDAL ADDS TO STOCK MARKET WOES

Sensitive but unclassified. Please handle accordingly.

¶1. (U) Cairo is abuzz with talk of a serious investment fraud allegation. Earlier this week, businessman Nabil Al-Boushi was charged with: (i) operating as a stockbroker without the authority to do portfolio management and (ii) breaking contractual obligations. The Egyptian Public Prosecutor (Attorney General) has ordered the freezing of his holdings. Al-Boushi is currently reported to be in Dubai where he has been arrested for similar crimes and the Public Prosecutor has requested Al-Boushi's return from Dubai. It is reported that he is also being investigated for money laundering.

¶2. (U) Forty-eight Egyptians filed claims to the Public Prosecutor's Office against Al-Boushi for defrauding them of their investments. Estimates range on the amount he allegedly stole, between \$37 - \$200 million. Al-Boushi used his brokerage company, Global Optima, as a venue for taking investments in securities. He signed contracts with clients obliging him to pay at least 30% annual interest plus a commitment to return principal at any time upon the depositor's request. According to press reports, he started his activities in Egypt in 2003 and started his Dubai operation in 2005. He was apparently paying interest regularly to depositors until 2006, but then refused to provide clients' principal at their request, noting that the funds were invested overseas and would lose much if they were withdrawn. In December 2008, he reportedly sent correspondence to his clients showing earnings amounts, and all accounts were deemed profitable. It was shortly after that that he disappeared and concerned clients alerted the authorities. He was arrested in Dubai recently for taking \$34 million from four Emiratis for investment, and also for issuing four checks worth \$13 million without adequate balance.

¶3. (U) As this story broke in Cairo, the Egyptian stock market slumped a total of 6% on February 2 and February 3, and market participants cited the scandal as one of the main contributors to the fall. According to Sherif Henry, a large informal portfolio manager, individuals who invested their money with informal portfolio managers like Al-Boushi began showing nervousness and there was a wide selling spree as individuals sought to be sure that their funds still existed. Of the 48 individuals who filed cases against Al-Boushi, there are actors, sports stars, relatives of high officials, and leading businessmen. The Egyptian Stock Exchange has been performing poorly so far this year, continuing its poor performance since May 2008. The index has lost 65% in the past 12 months.

¶4. (U) COMMENT: Cases of fraudulent money managers are increasingly common in Egypt, not only in Cairo, but in other parts of the country as well. Analysts link this to Egyptians' desire for quick money in the face of higher inflation. As middle income individuals see the wealthy getting richer, there is a desire to quickly narrow

the gap, leading many to make bad or risky investment decisions.
SCOBey